

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 10424 01 OF 02 120914Z
ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 TRSE-00 COME-00 AID-05
IGA-02 FRB-03 OPIC-03 XMB-02 PM-04 NSC-05 SP-02
SS-15 L-03 PRS-01 CIAE-00 INR-07 NSAE-00 OMB-01
EPG-02 /082 W
-----017215 120926Z /15

P R 120843Z JUL 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9314
INFO AMEMBASSY LISBON

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 10424

E.O. 116552: GDS
TAGS: EFIN, PO, JA
SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: STATE 153613

1. SUMMARY. IN RESPONSE TO OUR APPROACH AS REQUESTED IN REFTEL, GOVERNMENT OF JAPAN HAS AGAIN REVIEWED POSSIBILITIES FOR UNTYING, OR EFFECTIVELY UNTYING, REMAINING \$25 MILLION OF PROPOSED \$75 MILLION ASSISTANCE TO PORTUGAL AND ASKS THAT U.S. UNDERSTAND THAT PRESENT PACKAGE REPRESENTS THEIR BEST EFFORTS. POLICY PROBLEMS WITH FORMAL UNTYING REMAIN, AND GOJ DOES NOT BELIEVE IT PRACTICAL EFFECTIVELY TO UNTIE TIED CREDITS. GOJ REPS NOTE THAT \$50 MILLION UNTIED PORTION IN FACT REPRESENTS WHAT U.S. ASKED OF JAPAN IN EARLIER APPROACHES DESIGNED TO ACHIEVE OVERALL PACKAGE OF ABOUT \$700 MILLION -- OR APPROXIMATE SIZE OF PRESENT PACKAGE -- AND THAT THEREFORE \$25 MILLION TIED EX-IM CREDIT AMOUNTS TO BONUS. THEY ALSO POINT OUT THAT JAPANESE CONTRIBUTION STACKS UP WELL COMPARED WITH THAT OF SOME EUROPEAN COUNTRIES WHICH HAVE MUCH GREATER INVOLVEMENT IN PORTUGAL THAN DOES JAPAN. EMBASSY SUGGESTS THAT COSTS OF FURTHER PRESSURES ON JAPAN TO UNTIE REMAINING \$25
CONFIDENTIAL

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PAGE 02 TOKYO 10424 01 OF 02 120914Z

MILLION MAY EXCEED BENEFITS. END SUMMARY.

2. KAKIMIZU (RECENTLY NAMED DEPUTY DIRECTOR GENERAL INTERNATIONAL FINANCE BUREAU, MINISTRY OF FINANCE) CALLED IN FINATT JULY 8 TO ADVISE OF RESULTS LATEST REVIEW OF JAPANESE ASSISTANCE PLANS FOR PORTUGAL IN LIGHT OF APPROACH REFTEL PRESENTED EARLIER BY ECMIN.

FOREIGN OFFICE ALSO CONFIRMED JAPANESE POSITION TO ECMIN.

3. KAKIMIZU BEGAN HIS PRESENTATION BY REVIEWING DIFFICULTIES WITHIN JAPANESE GOVERNMENT ENCOUNTERED IN MOBILIZING ASSISTANCE FOR PORTUGAL. THESE DIFFICULTIES HAD ONLY BEEN OVERCOME, HE SAID, ON THE PREMISE THAT JAPAN SHOULD ASSIST PORTUGAL AS MATTER OF GENERAL ECONOMIC COOPERATION AND IN PARTICULAR AS A MATTER OF COOPERATION WITH THE U.S. APART FROM THESE FACTORS, PORTUGAL REMAINS A LONG WAY FROM JAPAN IN MANY JAPANESE EYES. IN THIS CONNECTION, HE NOTED THAT THERE WAS FEELING IN JAPANESE GOVERNMENT THAT U.S. SUGGESTIONS FOR JAPANESE CONTRIBUTIONS FOR PORTUGAL WERE OUT OF LINE WITH SUGGESTIONS FOR CONTRIBUTIONS FROM SOME OF PORTUGAL'S CLOSE NEIGHBORS, SUCH AS THE U.K. AND FRANCE.

4. KAKIMIZU RECALLED ALSO THAT JAPAN HAD INITIALLY BEEN ASKED TO CONTRIBUTE \$50 MILLION TO PORTUGUESE PACKAGE TO REACH \$700 MILLION TARGET FOR 12 MONTHS OR SO. SUBSEQUENTLY, WHEN TARGET WAS RAISED TO \$1 BILLION, JAPAN HAD MADE THE EFFORT TO INCREASE ITS CONTRIBUTION TO \$75 MILLION. BUT IT WAS NOW ESTIMATED AS A RESULT OF JUNE PARIS MEETING THAT ONLY \$750 MILLION WOULD BE FORTHCOMING FROM ALL PARTICIPANTS. JAPANESE SIDE THUS REGARDED \$50 MILLION UNTIED AS JAPAN'S ASSISTANCE TO PORTUGAL, WITH ADDITIONAL \$25 MILLION A FRINGE BENEFIT. IN OTHER WORDS, OUT OF A TOTAL OF
CONFIDENTIAL

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PAGE 03 TOKYO 10424 01 OF 02 120914Z

\$700-750 MILLION, JAPAN HAD FULLY REALIZED ITS SHARE. HE STRESSED THE HOPE THAT THE U.S. WOULD UNDERSTAND THAT JAPAN HAD FULLY MET THE INITIAL TARGET AND THAT PRESENT PACKAGE REPRESENTS MAXIMUM FEASIBLE.

5. JAPANESE SIDE SAID THAT THEY HAD CAREFULLY CONSIDERED POSSIBILITIES OF UNTYING OR EFFECTIVELY UNTYING EX-IM CREDIT. PROBLEMS WITH FORMALLY UNTYING REMAIN AS PREVIOUSLY INDICATED. WITH RESPECT TO EFFECTIVELY UNTYING, FOR EXAMBLE, BY RETROACTIVE FINANCING, JAPANESE HAD CONSIDERED VARIOUS POSSIBILITIES, BUT AS A PRACTICAL MATTER FOUND TASK OF UNTYING FORMALLY TIED CREDIT VIRTUALLY IMPOSSIBLE.

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PAGE 01 TOKYO 10424 02 OF 02 120920Z
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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 10424

6. COMMENT: JAPANESE SIDE WAS RELUCTANT TO ENTER INTO DETAILED DISCUSSION OF DIFFICULTIES OF UNTYING, PREFERRING TO REST CASE PRIMARILY ON PROPOSITION THAT WE ASKED FOR \$50 MILLION UNTIED AND WE GOT IT -- AFTER A GOOD DEAL OF SWEAT ON THEIR PART THAT THEY HOPE WE WILL APPRECIATE. OUR OWN FEELING IS THAT JAPANESE ARE SIMPLY NOT PREPARED TO OPEN UP PANDORA'S BOX BY FORMALLY UNTYING EX-IM CREDIT TO PORTUGAL. WHILE JAPANESE HAD EARLIER SUGGESTED SOME FLEXIBILITY WITH RESPECT TO TYPES OF GOODS THAT MIGHT BE COVERED BY EX-IM FINANCING, IT APPEARS TO US THAT NOW, HAVING ADOPTED ANOTHER APPROACH, THEY DO NOT WANT ALSO TO EXTEND EX-IM OPERATIONS INTO AREAS THEY CONSIDER OF DUBIOUS MERIT. AS FAR AS EFFECTIVELY UNTYING CREDITS FOR PAST OR CURRENT CAPITAL GOODS EXPORTS IS CONCERNED, IT IS OUR IMPRESSION, BASED ON INFORMAL DISCUSSIONS, THAT FOR JAPAN EX-IM TO REFINANCE PREVIOUS SHIPMENTS WOULD REQUIRE ADOPTION OF A DEBT RESCHEDULING APPROACH -- OBVIOUSLY NEITHER FEASIBLE NOR DESIRABLE IN CASE OF PORTUGAL. WHILE JAPANESE PRESUMABLY COULD FIND SOME EXPORTERS WHO HAVE CONTRACTS UNDER WHICH SHIPMENTS HAVE NOT YET BEEN MADE AND WORK OUT CHANGES IN TERMS OF SETTLEMENT, THEY SEEM TO FEEL THIS WOULD BE A LABORIOUS PROCESS AND PAYOFF PROBABLY WOULD NOT BE GREAT.
CONFIDENTIAL

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PAGE 02 TOKYO 10424 02 OF 02 120920Z

7. WHILE JAPANESE MIGHT BE PRESSURED INTO SOME FURTHER LIBERALIZATION OF EX-IM BANK CREDIT TO PORTUGAL, WASHINGTON WILL WISH TO CONSIDER CAREFULLY JUST HOW HIGH A PRICE THE U.S. IS WILLING TO PAY TO GET SOME PORTION OF THE REMAINING \$25 MILLION EX-IM CREDIT PROBABLY AT MOST EFFECTIVELY UNTIED. IT IS APPARENT TO US -- GIVEN THE NUMBER OF TIMES THEY HAVE BEEN REBUFFED AND SENT BACK TO THE DRAFTING BOARD -- THAT EVEN THE MORE INTERNATIONALLY

ORIENTED ELEMENTS OF THE JAPANESE BUREAUCRACY ARE GOING
TO REMEMBER THEIR PORTUGUESE EXPERIENCE VIVIDLY THE
NEXT TIME WE ASK THEIR COOPERATION IN A SIMILAR ENDEAVOR.
A LITTLE FACE-SAVING GIVE ON OUR PART AT THIS POINT,
PARTICULARLY SINCE THE PRIME MINISTER HAS UNDOUBTEDLY
BEEN TOLD THAT THE PRESENT PACKAGE IS RESPONSIVE TO THE
U.S. REQUESTS, MIGHT MAKE THINGS A LITTLE EASIER NEXT TIME
AROUND.
MANSFIELD

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Status: NATIVE
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